

Statement of
Robert B. Zoellick
U.S. Trade Representative
before the
Committee on Agriculture
of the
U.S. House of Representatives
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Chairman Combest, Representative Stenholm, and Members of the Committee:

I want to begin by thanking you for giving me this opportunity to speak before the Committee with my colleagues, Secretaries Veneman and Evans. I have benefited from discussions with many of you, including a very useful and informal session arranged by the Chairman and Mr. Stenholm; I look forward to working closely with all of you as we move forward with the Administration's free trade agenda. I also wish to thank in particular Representatives Combest, Clayton, Holden, and Putnam for joining the President at the recent Summit of the Americas meeting in Quebec City.

During a visit to Fargo, North Dakota in March, the President explained how agriculture intersects with trade: "I would like our farmers in America to be feeding the world. And therefore, I am going to work hard to open up markets."

President Bush made clear to me the importance he attaches to agriculture when we first spoke about my being nominated the U.S. Trade Representative. The first issue he raised was agriculture, saying that opening markets for America's farmers is a vital trade priority for him.

I am pleased to report that in the administration's first months, with your help, we have been able to take steps to advance free trade, in agriculture and other areas. We have pumped new life into the effort to launch a new round of global trade negotiations this November, launched the negotiations on the Free Trade Area of the Americas, made progress on our bilateral free trade agreements with Chile and Singapore, and resolved productively a number of disputes with our trading partners.

U.S. Agriculture and Trade

One of my goals as U.S. Trade Representative is to try to rebuild the consensus on free trade, particularly among farmers and those involved in agribusiness. That's why in my first months I met with representatives of over 40 farm groups, as well as with many former U.S. agricultural negotiators, to listen to their experience, interests, and suggestions.

I know well that U.S. farmers and agricultural businesses rely heavily on export markets. One in three acres of U.S. agricultural production is exported, and 25 percent of gross farm income is generated by exports. Last year, the United States exported \$51 billion worth of agricultural products. Exports this year are expected to reach \$53 billion.

Free trade benefits U.S. agriculture. Since the implementation of the U.S.-Canada Free Trade Agreement, U.S. agricultural exports to Canada have increased nearly five-fold. Canada is the second-largest market for U.S. agricultural exports, buying about \$7.7 billion worth of American products last year. The story is similar for Mexico. Since NAFTA was approved in 1993, U.S. agricultural exports to Mexico have nearly doubled. Mexico now imports \$6.5 billion of U.S. agricultural products, making it our third largest agricultural market.

Trade agreements help create fairer rules and provide mechanisms to enforce those rules. The WTO agriculture negotiations we are seeking to launch will be critical for cutting the European Union's export subsidies and domestic support payments so that U.S. farmers and ranchers can compete in third country markets, Europe, and even at home. In March, the United States helped formulate the agenda for the next year of WTO negotiations. These negotiations will be fundamental to reining in EU support regimes so that U.S. farmers can better compete around the world.

The expected accession of China to the WTO should offer many benefits to U.S. farmers and agribusinesses: lower import duties; higher tariff-rate quotas for bulk commodities; an end to China's export subsidies; and liberalized trading rights and distribution services. We know well that the realization of these benefits depends on China honoring its commitments. I have stressed to the Chinese that our bilateral agreements on citrus, wheat, meat, and tobacco offer an early test of compliance.

It will take a concerted effort by the Bush Administration, the Congress, and U.S. businesses to ensure

China's full performance. In recognition of the additional monitoring and enforcement that will be needed, Congress allocated more resources last year to several agencies. At USTR, three additional people are being assigned to our China office, our Agriculture office, and our monitoring and enforcement staff.

My early meetings with representatives of many agricultural organizations revealed a lot of support for free trade, but also a sense that trade is not benefiting them nearly enough.

We are trying to tackle these issues one-by-one to help rebuild confidence. For example, last month we reached an understanding with Mexico on dry beans to provide greater openness, predictability, and transparency, helping U.S. bean exporters. We also have been working to head off a concern about border crossings that could have impeded the livestock trade.

I learned from my discussions with Representative Stenholm about the problem of the phase-out of methyl bromide for use as a quarantine and pre-shipment treatment. So we are working with the Environmental Protection Agency, the U.S. Department of Agriculture, and the Office of Management and Budget to establish an open-ended exemption for continued use of methyl bromide through an interim final rule. We expect to publish this rule soon.

We heard early on about the costs and risks to U.S. farmers of unfair sanitary and phytosanitary rules and of biased implementation of those rules. Therefore, we are working to ensure that

international bodies like the Codex Alimentarius Commission rely on scientific considerations when setting Codex food safety standards.

We recognize that Codex will also be critical for the handling of agricultural biotechnology issues.

Codex standards can help achieve the establishment of compatible food safety standards, facilitating trade and encouraging the adoption of sound public health measures – particularly in countries that lack the capacity to conduct their own public health research. Because measures conforming to Codex standards have special status under WTO rules, they cannot be unnecessarily restrictive. Earlier this month, the United States worked with the Cairns Group and others to halt action to develop guidelines in Codex for the labeling of agricultural biotechnology products until we resolve key scientific issues.

The Bush Administration has emphasized the importance of placing sound science and consensus decision-making at the core of the Codex system.

We have also resisted the European Union's effort to promote its misguided "precautionary principle." Of course, regulators must frequently act on the frontiers of knowledge and in the absence of full scientific certainty. Therefore, precaution has long been an essential element of the U.S. regulatory system for food and environmental safety, manufacturing, construction, and production. But we will resist any approach that could result in a variety of cultural, non-scientific concerns to be used as an excuse for protectionism.

We have also made clear our strong dissatisfaction with Japan's agriculture proposal in the WTO. It seeks new restrictions on trade, including a call for reducing market access for rice into Japan, and

incorporates an array of measures into the negotiations that would distort trade.

In addition, Secretary Veneman and I sent a letter last month to three Japanese ministers warning against a government-ordered slowdown in Japan's phytosanitary inspections at ports of entry. I am pleased to report that since we sent the letter the speed of the inspections has accelerated. We will continue to monitor the situation as our peak harvest period begins for strawberries, onions and broccoli. We will also continue to monitor Japan's safeguard activities on several agricultural products to ensure U.S. exports of certain types of lumber and tomatoes are not affected.

We are also pleased that we were finally able to resolve the long-standing bananas dispute, upholding the WTO rulings in our favor and substantially increasing the licenses awarded to U.S. agribusinesses.

The U.S. is Falling Behind

Despite this early modest but encouraging progress, we should not overlook a more troubling fact: the United States is falling behind the rest of the world when it comes to trade liberalization. Years ago, U.S. involvement in international trade negotiations was a prerequisite for them to succeed. No more. Globally, there are 130 free trade agreements. The United States is a party to just two: one is with Canada and Mexico – NAFTA – and the other is with Israel. The European Union has free trade or special customs agreements with 27 countries, 20 of which it completed in the last 10 years. And the

EU is negotiating another 15 accords right now. Last year, the European Union and Mexico – the second-largest market for American exports – entered into a free trade agreement. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Mexico, Korea, and Chile.

We have no one to blame for falling behind but ourselves. And there is a price to pay for our delay. As Senator Graham of Florida has pointed out, during the last century, when it came time for countries to adopt standards for the great innovation of that era – electric power – Brazil turned to European models because the United States was not active in Brazil. So when you visit Brazil, be sure to bring an electric adapter. Today, as Senator Graham points out, Brazil is making decisions about standards for autos and other products – so the United States needs to decide whether it wants to stand on the sidelines again.

Our inaction hurts American businesses, farmers, ranchers, and workers, as they find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners. To cite just one example, whereas U.S. exports to Chile face an eight percent tariff, the Canada-Chile trade agreement will free Canadian imports of this duty. As a result, U.S. wheat and potato farmers are now losing marketshare in Chile to Canadian exports.

Congressman John Tanner has summed up the big picture stakes to me as effectively as anyone I have heard: “America’s place in the world is going to be determined by trade alliances in the next 10 years in the way military alliances determined our place in the past.”

The Benefits of NAFTA and other Trade Agreements

In any discussion of future free trade agreements, we need to highlight the benefits of previous accords.

Together, NAFTA and the completion of the Uruguay Round have resulted in higher incomes and lower prices for goods, with benefits amounting to \$1300 to \$2000 a year for an average American family of four. That is real money for farmers, nurses, teachers, police officers, and office workers, not bonuses for corporate executives.

Trade barriers hurt families. When trade is restricted, hard-working fathers and mothers pay the biggest portions of their paychecks for the higher cost clothing, food, and appliances imposed through taxes on trade. Farmers pay more for inputs and equipment.

NAFTA has produced a dramatic increase in trade between the United States and Mexico. When the Congress approved NAFTA in 1993, U.S.-Mexico trade totaled \$81 billion. Last year, our trade hit \$247 billion – nearly half a million dollars per minute. U.S. exports to our NAFTA partners increased 104 percent between 1993 and 2000; U.S. trade with the rest of the world grew only half as fast.

Increased trade supports good jobs. In the six years following the implementation of NAFTA, employment grew 19 percent in Mexico, and generated 6.2 million jobs. In Canada, employment grew

13 percent, and generated 1.7 million jobs. And in the United States, employment grew by 11 percent, and generated about 13 million jobs.

I recognize that these benefits of open trade can only be achieved if we build public support for trade at home. To do so, the Administration will enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost.

The Administration will also be monitoring closely compliance with trade agreements as well as insisting on performance by our trading partners. As I mentioned earlier, thanks to the help of the Congress in its support of the Trade Compliance Initiative advanced last year, USTR received additional staffing to strengthen its ability to pursue a two-track strategy of negotiating agreements and ensuring that the terms of these agreements are fulfilled. For the United States to maintain an effective trade policy and an open international trading system, its citizens must have confidence that trade is fair and works for the good of all people. That means ensuring that other countries live up to their obligations under the trade agreements they sign.

Moving Forward

The Bush Administration is promoting free trade globally, regionally, and bilaterally. We are working to help launch a new round of global trade negotiations in the World Trade Organization later this year,

while pursuing regional agreements such as the Free Trade Area of the Americas and bilateral agreements with countries such as Chile and Singapore. By moving on multiple fronts, we can create a competition in liberalization that will increase U.S. leverage and promote open markets in our hemisphere and around the world.

The Free Trade Area of the Americas provides a framework for the Administration's hemispheric strategy. This area, once completed, will be the largest free market in the world.

We have made real progress in turning the idea of an FTAA into a reality. At the Summit of the Americas in Quebec City, all 34 heads of state signed a declaration pledging to conclude negotiations on the FTAA no later than January 2005. The United States is committed to working with others to meet, or beat, that deadline.

Moreover, the draft text of the agreement will be released once it has been translated into the four official languages of the FTAA. This is an important, and perhaps unprecedented, step to build public awareness and support an open process.

While pursuing regional free trade through the FTAA, the Bush Administration is also negotiating a free trade agreement with Chile. Last month, Presidents Bush and Lagos announced our goal of completing the free trade agreement negotiations no later than the end of the year.

The U.S.-Chile free trade agreement will also send an important signal to the rest of the world: The

United States will reward good performers. Chile, for example, has been at the forefront of Latin American nations in liberalizing trade, while setting an example to the world of a free people reclaiming their democracy and making the transition to a mature, developed economy.

Leaders from many other nations in this hemisphere have now told us they want to pursue free trade agreements with the United States. We will consider each of these offers seriously, while focusing on the FTAA.

Launching a New WTO Round

As you know, the agricultural community believes its biggest potential gains would come from a new round of global trade negotiations. I have just returned from a trip to Europe, where I sought to reenergize the drive to launch the WTO negotiations that stumbled in Seattle in 1999.

I spoke to the European Parliament about the need for the European Union to reform the Common Agricultural Policy, cut export subsidies, and back a serious agricultural negotiation in the WTO. I pressed the U.S. agricultural agenda, including biotechnology, with the European Commission and numerous European trade ministers. And I met with WTO negotiators from the Cairns Group so we could try to coordinate our strategies on opening markets for the farm trade.

With U.S. leadership, I believe we have a reasonable shot at launching a new round that can help America's farmers. Yet we will need the cooperation of other countries as well. And many of them are looking to our work with the Congress on U.S. Trade Promotion Authority to see whether you will grant the Executive the trade negotiating authority we need for the global negotiations. I am committed to working with you so we can strengthen America's hand in the agricultural trade. I hope I can count on your support.

The Legislative Agenda

The Bush Administration's top trade priority is for the Congress to enact U.S. Trade Promotion Authority by the end of the year. Under this authority, the executive branch would be bound by law to consult regularly and in detail with members of Congress as trade agreements are being negotiated. But once that long and exhaustive process of consultations is completed, and the painstaking negotiations have ended in an agreement, our trading partners have the right to know that Congress will vote on the agreement up or down. Indeed, in the absence of Trade Promotion Authority, which expired in 1994, other countries have been reluctant to close out complex and politically sensitive trade agreements with the United States.

In addition to launching a new round of global trade negotiations in the WTO, emphasizing a key role for agriculture, we are seeking to negotiate regional and bilateral agreements to open markets around

the world. Further reforms in the Middle East and Africa need our encouragement, and we are committed to working with the Congress to enact legislation for a free trade agreement with Jordan. The Congress did important work with Africa and the Caribbean last year and we look forward to working with all of you to improve the implementation of the African Growth and Opportunity Act and the Caribbean enhancement provisions.

We also hope to see the Andean Trade Preferences Act, which expires in December, renewed and expanded. The Central American countries have expressed interest in a free trade agreement with the United States, and we will seek your ideas and preferences as we consider that possibility.

There are opportunities in the Asia Pacific and, I hope, with APEC. We will start with a free trade agreement with Singapore and will work with you to pass the basic trade agreement with Vietnam negotiated by the Clinton administration.

To help developing nations appreciate that globalization and open markets can assist their own efforts to reform and grow, we will need to extend the legislation authorizing the Generalized System of Preferences program.

Conclusion

The Bush administration has an ambitious trade agenda, reflecting the importance President Bush assigns to free trade, especially for agriculture. We should seize the opportunity before us to reassert America's leadership in setting trade policy, particularly as it relates to agriculture, and to build a post-Cold War world on the cornerstones of freedom, opportunity, democracy, security, free markets, and free trade. By doing so, we can set a course for peace and prosperity for farmers, the Americas, and the global system, not just for a year or two, but for decades to come.